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JARVIS AND MANDELL

PAGE 01

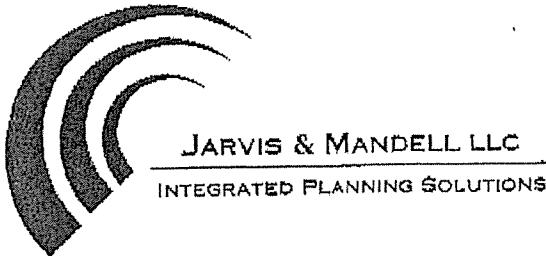
JARVIS AND MANDELL, LLC

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Repicci Family Estate Planning

Comparison of Traditional Gifting vs. Preferred LLC Estate Transfer

Traditional Annual Gifting Challenges

John & Lori can each gift \$12,000 per year to any person they choose without any gift tax liability.

With an estate the size of yours, one challenge is that your estate continues to grow by more than \$24,000 per year for each child and grandchild you have. In short, you have a growing estate tax liability, not a shrinking one as we desire.

Tom's Situation – Common Lump Sum Gift Challenge

John & Lori would like Tom to have access to \$1,000,000. The goal is for Tom to have the ability to invest the funds for his long term benefit.

The problem is that this amount is above the annual gift exclusion and you have already used your unified credit (lifetime exclusion). As a result, a straight gift to Tom would result in a gift tax liability of about \$500,000. This is obviously not a desirable outcome.

An Alternative Approach – Preferred LLC Structure

John & Lori are allowed to "invest" with their children. This method came under great scrutiny in the past because of the opportunity for fraud. As a result, the IRS came up with strict guidelines for business endeavors between family members. We will use their guidance to make sure that our planning follows their laws.

The Applicable Federal Rate (also called the AFR) is released by the IRS every month. There are short term, mid term and long term AFRs. This is the rate that family members (technically related parties) must get as a return from investments with each other to secure that the investment was not a "disguised gift" that would trigger gift tax. As long as the AFR is met, there is no gift – thus no gift tax.

Further, there is no time restriction on these investments. You can make a 1-year, 10-year or 50-year investment. As long as there is security in the investments that you will be repaid, we can make this investment horizon very long.

So, our goal is to structure an investment between you and Tom that will accomplish the following goals:

1. Give you a return equal to the AFR so no gift taxes will be due.
2. Give Tom control of assets while you are alive.
3. Give Tom some tax-efficient access to funds in the near future.
4. Provide Tom a long term benefit from the investments.

The structure on the next page will accomplish all of these goals for you.
Steps

1. John and Lori invest \$1,100,000 into an LLC with Tom.
 - a. Rate of return is locked in at 4.79% per year
 - b. Tom is responsible for paying you back at the time of his passing.
 - c. The LLC buys a life insurance policy on Tom to secure the repayment of John & Lori (this is excellent proof that there is no gift).
 - d. Tom can direct the investments within the LLC and benefit from their success without estate or gift taxes.

Costs

2. The legal work surrounding this planning is complex and can cost \$10,000 - \$15,000. Celia Clark understands this transaction and can do this for you.
3. The insurance costs to repay John & Lorraine. If we reword the LLC to repay them when Tom and Lori pass away, we can reduce the cost of the insurance to \$27,000 per year for 5 years. Basically, you can invest a little more than \$1.1 million into an LLC and Tom will benefit from \$1,000,000 of it.

Conclusion

This technique can be used not only with the cash you want to be invested for Tom's benefits, but also with the remaining assets you have and want to leave to the other children and grandchildren. This is the most efficient estate transfer tool available to families with your wealth.

The worst case scenario is that you are out the legal fees. The best case is that you reduce your estate taxes by over 80%. Given that you have assets that are appreciating significantly; the Preferred LLC Estate Transfer is the obvious choice for us.

One key is that you can implement this technique and still maintain control of the assets while you are alive. I suggest we talk about the increased flexibility and multigenerational benefits of the Preferred LLC Estate Transfer in the near future.

Please let me know what you think. You can call me at any time at (310) 536-0700.

Sincerely,

Christopher R. Jarvis, MBA
Jarvis & Mandell, LLC